



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 5, 1999

H.R. 833

Bankruptcy Reform Act of 1999

As reported by the House Committee on the Judiciary on April 28, 1999

SUMMARY

H.R. 833 would make many changes and additions to the laws relating to bankruptcy, including establishing a system of means-testing for determining eligibility for relief under chapter 7 of the U.S. bankruptcy code. CBO estimates that implementing H.R. 833 would cost \$333 million over the 2000-2004 period—\$322 million in discretionary spending, subject to appropriation of the necessary funds, and \$11 million in mandatory spending. CBO also estimates that enacting this bill would decrease receipts by about \$4 million over the next five years. Because the bill would affect direct spending and governmental receipts, pay-as-you-go procedures would apply. Provisions in title VIII also would affect receipts, but the Joint Committee on Taxation (JCT) has not completed an estimate of such changes at this time.

H.R. 833 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but its costs would be insignificant and would not exceed the threshold established in that act (\$50 million in 1996, adjusted annually for inflation). Overall, CBO expects that enacting this bill would benefit state and local governments by enhancing their ability to collect outstanding obligations in bankruptcy cases.

H.R. 833 would impose new private-sector mandates, as defined in UMRA, on bankruptcy attorneys, creditors, and credit and charge-card companies. CBO estimates that the costs of these mandates would exceed the \$100 million (in 1996 dollars) threshold established in UMRA.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

In addition to establishing means-testing for determining eligibility for chapter 7 bankruptcy relief, H.R. 833 would:

- Require the Executive Office for the United States Trustees (U.S. Trustees) to establish a test program to educate debtors on financial management;
- Authorize 18 new temporary judgeships and extend five existing judgeships in 19 federal districts;
- Permit courts to waive chapter 7 filing fees and other fees for debtors who could not pay such fees in installments;
- Require that at least one out of every 250 bankruptcy cases under chapter 13 or chapter 7 be audited by an independent certified public accountant;
- Exempt chapter 11 debtors from having to pay certain fees in connection with their bankruptcy cases;
- Require the Administrative Office of the United States Courts (AOUSC) to receive and maintain tax returns for all chapter 7 and chapter 13 debtors; and
- Require the AOUSC and the U.S. Trustees to collect and publish certain statistics on bankruptcy cases.

Other provisions would make various changes affecting the bankruptcy provisions for municipalities and the treatment of tax liabilities in bankruptcy cases.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

As shown in the following table, CBO estimates that implementing H.R. 833 would cost the courts, the AOUSC, and the U.S. Trustees \$24 million in fiscal year 2000 and \$322 million over the 2000- 2004 period, subject to appropriation of the necessary funds. In addition, we estimate that mandatory spending for the salaries and benefits of bankruptcy judges would increase by less than \$500,000 in 2000 and \$11 million over the 2000-2004 period. Enacting the means-testing and fee waiver provisions in title I would result in a net loss in revenues of about \$4 million over the next five years. The costs of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Means-Testing (Section 102)					
Estimated Authorization Level	4	8	8	8	7
Estimated Outlays	4	8	8	8	7
Debtor Financial Management Training (Section 104)					
Estimated Authorization Level	4	0	0	0	0
Estimated Outlays	1	3	0	0	0
Additional Judgeships—Support Costs (Section 128)					
Estimated Authorization Level	a	6	11	11	12
Estimated Outlays	a	6	11	11	12
Chapter 7 Filing Fee Waivers (Section 148)					
Estimated Authorization Level	2	5	8	13	13
Estimated Outlays	2	5	8	13	13
Credit Counseling Certification (Section 302)					
Estimated Authorization Level	4	3	3	4	4
Estimated Outlays	2	4	3	4	4
U.S. Trustee Site Visits (Section 410)					
Estimated Authorization Level	3	2	2	2	3
Estimated Outlays	1	4	2	2	3
Audit Procedures (Section 602)					
Estimated Authorization Level	0	6	15	18	19
Estimated Outlays	0	6	15	18	19
Maintenance of Tax Returns (Section 603)					
Estimated Authorization Level	3	6	7	9	9
Estimated Outlays	3	6	7	9	9
Elimination of Quarterly Filing Fees (Section 608)					
Estimated Authorization Level	10	10	10	10	10
Estimated Outlays	10	10	10	10	10
GAO and SBA Studies (Sections 609, 613, 414)					
Estimated Authorization Level	1	a	0	0	0
Estimated Outlays	1	a	0	0	0
Compiling and Publishing Data (Sections 701-702)					
Estimated Authorization Level	0	5	9	8	8
Estimated Outlays	0	5	9	8	8
Total Discretionary Changes					
Estimated Authorization Level	31	51	73	83	85
Estimated Outlays	24	57	73	83	85

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	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
CHANGES IN DIRECT SPENDING					
Additional Judgeships (Section 128)					
Estimated Budget Authority	a	2	3	3	3
Estimated Outlays	a	2	3	3	3
CHANGES IN REVENUES^b					
Changes in Filing Fees (Section 102)					
Estimated Revenues	0	0	a	1	1
Chapter 7 Filing Fee Waivers (Section 148)					
Estimated Revenues	a	<u>-1</u>	<u>-1</u>	<u>-2</u>	<u>-2</u>
Total Revenue Changes					
Estimated Revenues	a	-1	-1	-1	-1

a. Less than \$500,000.

b. The Joint Committee on Taxation has not yet completed its review of tax provisions in title VIII.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 833 will be enacted by October 1, 1999, and that all estimated authorization amounts will be appropriated for each fiscal year.

Spending Subject to Appropriation

Most of the estimated increases in discretionary spending would be required to fund the additional workload that would be imposed on the U.S. Trustees. Currently, the U.S. Trustees are funded through the bankruptcy-related fees collected by the courts. Without additional statutory authority, these fees cannot be increased to cover any expenditures or loss of offsetting collections that would occur under the bill. Because the legislation does not provide for such increases in fees, any additional costs would be subject to the availability of appropriated funds.

Means-Testing (Section 102). This section would establish a system of means-testing for determining a debtor's eligibility for relief under chapter 7. Only those debtors whose income exceeds the regional median household income with certain adjustments would be subject to the means test. Under the means test, if the debtor is expected to have at least \$6,000 over five years (after the deduction of certain allowable expenses) available to pay nonpriority unsecured claims, then the debtor would be presumed ineligible for chapter 7 relief. A debtor who could not demonstrate "extraordinary circumstances," which would cause the expected disposable income to fall below the threshold, could file under other chapters of the bankruptcy code.

Although the private trustees would be responsible for conducting the initial review of a debtor's income and expenses and filing the majority of motions for dismissal or conversion, CBO expects that the workload of the U.S. Trustees would increase under the means-testing provision. The U. S. Trustees would provide increased oversight of the work performed by the private trustees, file additional motions for dismissal or conversions, and take part in additional litigation that is expected to occur as the courts and debtors debate allowable expenses and other related issues. Although CBO cannot predict the amount of such litigation, we expect that, during the first few years following enactment of the bill, the amount of litigation could be significant, as parties test the new law's standards. In subsequent years, litigation could begin to subside as precedents are established. Based on information from the U.S. Trustees, CBO estimates that the U.S. Trustees would require about 60 additional attorneys and analysts to address the increased workload. As a result, CBO estimates that appropriations of \$35 million would be required over the next five years.

Debtor Financial Management Test Training Program (Section 104). This section would require the U.S. Trustees to establish a test training program to educate debtors on financial management. Based on information from the U.S. Trustees, CBO estimates that about 90,000 debtors would participate if such a program were administered by the U.S. Trustees in fiscal year 2001. At a projected cost of about \$40 per debtor, CBO estimates that the U.S. Trustees would require an appropriation of about \$4 million in 2000 to administer the program.

Additional Judgeships—Support Costs (Section 128). This provision would extend five temporary bankruptcy judgeships and authorize 18 new temporary bankruptcy judgeships for 19 federal judicial districts. Based on information from the AOUSC, CBO assumes that one-half of the 18 new positions would be filled by the beginning of fiscal year 2001 and the other half would be filled by the start of fiscal year 2002. Also, we anticipate that all five temporary judgeships would be filled by fiscal year 2002. We expect that discretionary expenditures associated with each judgeship would average about \$450,000 (in 2000 dollars), after initial costs of about \$50,000. Therefore, CBO estimates that the administrative support

of additional bankruptcy judges would require an appropriation of less than \$500,000 in fiscal year 2000 and about \$40 million over the 2000-2004 period. (Salaries and benefits for the judges are classified as mandatory spending, and those costs are described below.)

Chapter 7 Filing Fee Waivers (Section 148). This section would permit a bankruptcy court or district court to waive the chapter 7 filing fee and other fees for a debtor who is unable to pay such fees in installments. Based on information from the AOUSC, CBO expects that in fiscal year 2000 chapter 7 filing fees would be waived for about 3.5 percent of all chapter 7 filers and that the percentage waived would gradually increase to about 10 percent by fiscal year 2003. The filing fee for a chapter 7 case is \$130, and income from this fee appears in two different places in the budget. Of the \$130, \$70 is recorded as part of the offsetting collections to the U.S. Trustee System Fund and to the AOUSC, and \$15 is recorded as governmental receipts (i.e., revenues). The remaining \$45 is paid to the private trustee assigned to the case and does not affect the federal budget. The AOUSC also collects an additional \$30 million in miscellaneous fees with each chapter 7 filing. Taking into account how means-testing would reduce filing rates under chapter 7, CBO estimates that implementing this section would result in a loss in offsetting collections totaling \$41 million over the 2000-2004 period. The loss of offsetting collections would reduce the amount available for spending by the U.S. Trustees and the AOUSC. Because this loss of fees would not be matched by a reduction in workload, additional appropriations would be required to replace this projected loss.

Credit Counseling Certification (Section 302). This section would require the U.S. Trustees to certify, on an annual basis, that certain credit counseling services could provide adequate services to potential debtors. Based on information from the U.S. Trustees, CBO estimates that the U.S. Trustees would require additional attorneys and analysts to handle the additional workload associated with certification. CBO estimates that enacting this provision would require appropriations of \$18 million over the next five years.

U.S. Trustee Site Visits in Chapter 11 Cases (Section 410). This section would expand the responsibilities of the U.S. Trustees in small business bankruptcy cases to include site visits to inspect the debtor's premises, review records, and verify that the debtor has filed tax returns. Based on information from the U.S. Trustees, CBO estimates that implementing section 410 would require about 20 additional analysts to conduct over 2,300 site visits each year. CBO estimates that the U.S. Trustees would require appropriations of about \$12 million over the next five years for the salaries, benefits, and travel expenses associated with these additional personnel.

Audit Procedures (Section 602). Beginning 18 months after enactment, H.R. 833 would require that at least one out of every 250 bankruptcy cases under chapter 7 and chapter 13,

plus other selected cases under those chapters, be audited by an independent certified public accountant. Based on information from the U.S. Trustees, CBO estimates that about 1.3 million cases would be subject to audits in fiscal year 2001, increasing to about 1.8 million in fiscal year 2004. CBO assumes that about 0.8 percent of all cases would be audited and that each audit would cost about \$1,000 (in 2000 dollars). CBO also expects that the U.S. Trustees would need about 10 additional analysts and attorneys to support the follow-up work associated with the audits. Thus, we estimate that implementing this provision would require appropriations of \$6 million in fiscal year 2001 and \$58 million over the 2000-2004 period.

Maintenance of Tax Returns (Section 603). This section would require the AOUSC to receive and retain tax returns for the three most recent years preceding the commencement of the bankruptcy case for all chapter 7 and chapter 13 debtors (about 8 million debtors over the 2000-2004 period). CBO estimates that appropriations of \$34 million over the next five years would be required to store and provide access to over 20 million tax returns.

Elimination of Quarterly Filing Fees (Section 608). This section would require chapter 11 debtors whose disbursements are less than \$300,000 to pay quarterly fees only until their case is converted or their plan is confirmed (whichever occurs first), beginning on October 1, 1999. Currently, these debtors pay quarterly fees even after their plan has been confirmed. These fees are recorded as offsetting collections to the U.S. Trustee System Fund and are available for spending from that account. According to the U.S. Trustees, about 4,000 cases would be affected by this provision each year and, on average, the government collects about \$650 per quarter per case each year. Thus, by shortening the period during which fees are paid, the bill would reduce annual fee collections by about \$10 million annually. Because this loss of offsetting collections would reduce the amount available for spending by the U.S. Trustees (for overall supervision and administration of bankruptcy cases), CBO estimates that the U.S. Trustees would require an appropriation of \$10 million in fiscal year 2000 and \$50 million over the next five years to compensate for the loss of quarterly filing fees.

General Accounting Office (GAO) and Small Business Administration (SBA) Studies (Sections 609, 613, and 414). Section 609 would require GAO to conduct a study regarding the impact that the extension of credit to dependents who are enrolled in postsecondary educational institutions has on bankruptcy filing rates. Section 613 would require GAO to conduct a study regarding the feasibility of requiring trustees to provide the Office of Child Support Enforcement information about outstanding child support obligations of debtors. Section 414 would require the Administrator of SBA, in consultation with the Attorney General, the U.S. Trustees, and the AOUSC, to conduct a study on small business bankruptcy issues. Based on information from GAO and SBA, CBO estimates that completing the

necessary studies would cost between \$500,000 and \$1 million in 2000, and less than \$500,000 in 2001.

Compilation and Publication of Bankruptcy Data and Statistics (Sections 701-702).

H.R. 833 would require the AOUSC to collect data on chapter 7, chapter 11, and chapter 13 cases and the U.S. Trustees to make such information available to the public. CBO estimates that appropriations of about \$30 million would be required over the 2000-2004 period to meet these requirements. Of the total estimated cost, about \$24 million would be required for additional legal clerks, analysts, and data base support. The remainder would be incurred by the U.S. Trustees for compiling data and providing Internet access to records pertaining to bankruptcy cases.

Direct Spending and Revenues

Additional Judgeships (Section 128). CBO estimates that enacting the means-testing provision (section 102) would impose some additional workload on the courts. Section 128 would authorize 18 new temporary bankruptcy judgeships and extend five existing temporary judgeships. Based on information from the AOUSC and other bankruptcy experts, CBO expects that the increase in the number of bankruptcy judges would be sufficient to meet the increased workload. Assuming that the salary and benefits of a bankruptcy judge would average about \$150,000 a year, CBO estimates that the mandatory costs associated with the salaries and benefits of these additional judgeships would be less than \$500,000 in fiscal year 2000 and about \$11 million over the 2000-2004 period.

Changes in Filing Fees (Section 102). The means-testing provision also could affect the government's income from bankruptcy filing fees because it would cause changes in the number and type of bankruptcy filings. CBO projects that about 5 to 10 percent of all chapter 7 debtors (about 50,000 to 100,000 cases each year) could be subject to the means test proposed under this bill. CBO expects that those debtors who are not successful in proving "extraordinary circumstance" will either convert their cases to chapter 13 cases or withdraw their petitions for bankruptcy relief. Under either of these options, CBO estimates that there would be no significant effect on the federal budget because there is no fee for converting a case from chapter 7 to chapter 13, and filing fees are not refunded to debtors who withdraw their petitions for bankruptcy relief. Over the long term, CBO estimates that the federal government could collect additional revenues as more debtors file directly under chapter 13. (The government collects an additional \$45 for each case filed under chapter 13 instead of chapter 7.) This increase could be partly offset by those debtors who might refrain from filing for any type of bankruptcy relief. On balance, CBO estimates that the means-testing provision would increase revenues by about \$1 million beginning in 2003. This provision

would have no effect on offsetting collections because there is no difference in the amount of offsetting collections collected under either chapter 7 or chapter 13, and any loss in collections would be matched by a reduction in workload.

Chapter 7 Filing Fee Waivers (Section 148). As mentioned above, this section would permit a bankruptcy court or the district court to waive the chapter 7 filing fee and other fees for a debtor who is unable to pay such fees in installments. For each chapter 7 case filed, the federal government collects \$15. Taking into account the means-testing provision and the amount of expected waivers, CBO estimates that implementing this section would result in a loss in revenues of \$1 million to \$2 million a year beginning in fiscal year 2001.

CBO estimates that the net effect on revenues of implementing the means-testing and fee waiver provisions would be a loss of about \$1 million annually beginning in fiscal year 2001.

Tax Provisions (Title VIII). The provisions in title VIII of the bill are currently under review by the Joint Committee on Taxation, and estimates of their effects on revenues will be provided when they are completed.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Both the means-testing and waiver of fees would affect receipts; hence, pay-as-you-go procedures would apply. The net changes in outlays and governmental receipts are shown in the following table. (JCT is reviewing title VIII and has not yet completed an estimate of its effects on receipts.) For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Changes in outlays		0	0	2	3	3	3	3	3	3	2	2
Changes in receipts ^a		0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1

a. Estimated impact of means-testing and waiver of fees. JCT has not completed an estimate of changes in receipts for title VIII.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 833 contains an intergovernmental mandate as defined in UMRA. Overall, CBO expects that enacting this bill would benefit state and local governments by enhancing their ability to collect outstanding obligations in bankruptcy cases.

Mandates

Section 106 of the bill would preempt state laws governing contracts between a debt relief agency and a debtor, to the extent that they are inconsistent with the federal requirements set forth in this bill. Such preemptions are mandates as defined in UMRA. Because the preemption would not require states to change their laws, CBO estimates the costs to states of complying with that mandate would not be significant and would not exceed the threshold established in UMRA.

Other Impacts

The changes to bankruptcy law in the bill would affect state and local governments primarily as creditors and holders of claims for taxes or child support. In addition, it would change some of the state statutes that govern which of a debtor's assets are protected from creditors in a bankruptcy proceeding.

In 1996, a survey of the 50 states conducted by the Federation of Tax Administrators and the States' Association of Bankruptcy Attorneys indicated that more than 360,000 taxpayers in bankruptcy owed claims to states totaling about \$4 billion. Of these claims, states reported collecting only about \$234 million. While CBO cannot predict how much more money might be collected, it is likely that states and local governments would collect a greater share of future claims than they would have under current law.

Exemptions. Although bankruptcy is regulated according to federal statute, states are allowed to provide debtors with certain exemptions for property, insurance, and other items that are different from those allowed under the federal bankruptcy code. (Exempt property remains in possession of the debtor and is not available to pay off creditors). In some states debtors can choose the federal or state exemption; other states require a debtor to use only the state exemptions. This bill would place a ceiling of \$250,000 on the exemptions for homesteads and create a new exemption for certain retirement funds and education savings plans. These exemption standards would apply regardless of the state policy on exemptions.

The new homestead exemption would make more money available to creditors in some cases, while the exemptions on retirement and education savings generally would make less money available. States would be allowed to set the homestead exemption above the federal ceiling if they specifically enacted legislation doing so.

Domestic Support Obligations. The bill would significantly enhance a state's ability to collect domestic support obligations, including child support. Domestic support obligations owed to state or local governments would be given priority over all other claims, except those same obligations owed to individuals. The bill also would require that filers under chapters 11 and 13 pay in full all domestic support obligations owed to government agencies or individuals in order to receive a discharge of outstanding debts. In addition, the automatic stay that is triggered by filing bankruptcy would not apply to domestic support obligations. Last, the bill would require bankruptcy trustees to notify individuals with domestic support claims of their right to use the services of a state child support enforcement agency and notify the agency that they have done so. The last known address of the debtor would be a part of the notification.

Tax Payment Plans. The bill would require that payment plans for tax liabilities be limited to six years and that payment amounts be regular and proportionate to payments for other obligations. Under current law, taxing authorities sometimes face payment plans that include a series of small payments followed by a large balloon payment near the end of the planned payment stream. At that point, the debtors often fail to complete their payments. This provision would require that taxes be paid at a rate proportionate to those of other debts. It also would establish interest rates to be applied to outstanding tax liabilities. Under current law, any interest charges on outstanding tax liabilities are determined at the discretion of the bankruptcy judge.

Time Limits on Tax Collection. Under some circumstances, a tax claim can qualify for priority status, and thus a state and local government would be more likely to collect the debt. However, this status is granted only if a tax is assessed within a specific period of time from the date of the filing for bankruptcy. If that filing is subsequently dismissed and a new filing is made, the tax claim may lose its priority status. The bill would allow more time to pass in some circumstances, thus increasing the likelihood that state or local tax claims would maintain their priority status.

Taxes and Administrative Expenses. Under current law, certain expenses can be paid out of funds that would otherwise be available to pay tax liens on property. The bill would restrict the use of funds for administrative expenses to a limited number of circumstances, thereby making it more likely that funds would remain available to cover tax obligations.

Tax Return Filing and Government Notification. A number of provisions in the bill would require debtors to have filed tax returns, and in some cases to be current in their tax payments, before a bankruptcy case may continue. Also, debtors would be required to provide notice to state authorities in a specific manner when they pursue relief under bankruptcy law. These provisions would help states identify potential claims in bankruptcy cases where they may be owed delinquent taxes.

Priority of Payments. In some circumstances, debtors have borrowed money or incurred some new obligation that is dischargeable (able to be written-off at the end of bankruptcy) to pay for an obligation would not be dischargeable. This bill would give the new debt the same priority as the underlying debt. If the underlying debt had a priority higher than that of state or local tax liabilities, state and local governments could lose access to some funds. However, it is possible that the underlying debt could be for a tax claim, in which case the taxing authority would face no loss. Because it is unclear what types of nondischargeable are covered by new debt and the degree to which this new provision would discourage such activity, CBO can estimate neither the direction nor the magnitude of the provision's impact on states and localities.

Single Asset Cases. One provision of the bill would allow expedited bankruptcy proceeding in certain single asset cases (usually involving a large office building). State and local governments could benefit to the extent that real property is returned to the tax rolls earlier as a result of this provision.

Municipal Bankruptcy. The bill would clarify regulations governing municipal bankruptcy actions and allow municipalities that have filed for bankruptcy to liquidate certain financial contracts.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 833 would impose new private-sector mandates on bankruptcy attorneys, creditors, and credit and charge-card companies. Bankruptcy attorneys would be required to make reasonable inquiries to confirm that the information in documents they submit to the court or to the bankruptcy trustee is wellgrounded in fact. Creditors would be required to make disclosures in their agreements with debtors and provide certain notices to courts and to debtors. Credit and charge-card companies would be required to disclose minimum-payment plans in new account materials and monthly statements. CBO estimates that the costs of these mandates would exceed the \$100 million (in 1996 dollars) threshold established in the UMRA.

Sections 102 and 607 would make bankruptcy attorneys liable for misleading statements and inaccuracies in schedules and documents submitted to the court or to the trustee. To avoid sanctions and potential civil penalties, attorneys would need to verify the information given to them by their clients regarding the list of creditors, assets and liabilities, and income and expenditures. Based on 1,286,000 projected filings under chapter 7 and chapter 13 and an estimated increase in attorneys' costs of \$150 to \$500 per case, CBO estimates that the costs to attorneys of complying with this requirement would be between \$190 million and \$640 million in fiscal year 2000. With the rise in projected filings over the next five years, annual costs would be \$280 million to \$940 million for fiscal year 2004. CBO expects bankruptcy attorneys to pass increased costs on to debtors, reducing the pool of funds available to creditors.

H.R. 833 would require a creditor with an unsecured consumer debt seeking a reaffirmation agreement with a debtor to notify the debtor of his right to a hearing to determine whether the agreement is an undue hardship, is in the debtor's best interest, or is the result of an illegal threat by the creditor. The bill also would require creditors to specify to the court and to the debtor the person designated to receive notices. Because the required disclosure could be incorporated into existing standard reaffirmation agreements, and the notice to the court and the debtor would require only minimal effort, the costs of this requirement would be relatively small.

The costs of the mandate for credit and charge-card companies are also expected to be small. H.R. 833 would require credit and charge-card companies to add a brief statement regarding the function of the minimum payment option and disadvantages of making only the minimum payment each month to the materials provided to consumers opening new accounts and to all customers' monthly statements. Credit and charge-card companies also would have to provide customers with an illustration of the length of time required to pay off a \$500 balance if they make only the minimum required payment. Firms would be able to add this information to the materials they currently give to customers.

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